Y Pwyllgor Iechyd, Gofal Cymdeithasol a Chwaraeon
Health, Social Care and Sport Committee

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30 November 2016

Dear Dai,

We refer to your letter of 17 November, outlining your main conclusions which have been drawn from your scrutiny of the Welsh Government's 2017-18 draft budget. Please find below our responses in relation to those issues on which you have asked for further information.

1. Additional allocation for NHS Services

In terms of our expectations for the use of the additional £240 million for NHS Wales, these are set out in outline in the evidence paper. The first call on this funding will, inevitably, be to enable NHS organisations to meet normal cost growth, including funding the pay award for NHS staff, and increases in contract agreements for general medical and dental practitioners.

As we outlined, we will also set aside some of this funding to support the particular financial issues in Betsi Cadwaladr and Hywel Dda University Health Boards.

In line with our budget agreement with Plaid Cymru, £20 million of the additional funding will be allocated to mental health services, and included in the ring-fenced mental health allocation. This will take this allocation to over £620 million in 2017-18.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

In addition, we intend to use some of this funding to push further with our aim to provide more care closer to home. We are considering options on how best to incentivise further progress on this, and further details will be provided to the Committee on this in due course. We will write to the Committee in due course with details of the work that is being taken regarding the targeted intervention with the three health boards.

We can confirm that the £30 million 2016-17 allocation for older people and mental health, and the primary care, delivery plan, health technology and mental health funding allocated in 2015-16 has been provided for recurrently in 2017-18.

2. Financial Planning and the Financial Position of LHBs

We will continue to keep the Committee appraised of the financial position of LHBs and the position on the overall Health, Wellbeing and Sport budget as we progress through this financial year. As in 2015-16, a written statement will be issued following the completion and audit of the NHS accounts for 2016-17 before the summer recess.

The position regarding Betsi Cadwaladr and Hywel Dda University Health Boards was set out in the Cabinet Secretary for Finance and Local Government's written statement on 2nd November, confirming the allocation of £68.4 million from reserves to manage the deficits in these two organisations. In addition, we have been open about our concerns at the ability of Abertawe Bro Morgannwg and Cardiff and Vale University Health Boards to develop an approvable plan, which is part of the reason why these organisations were placed into targeted intervention in September. We are not confident that these organisations will achieve financial balance in 2016-17, and will continue to work with them through the escalation framework to address these issues.

Leaving aside our concerns regarding these four organisations, we are confident at this stage that the remaining six NHS organisations will achieve financial balance in 2016-17, and that the overall Main Expenditure Group budget will balance.

In terms of the longer term, we are committed to getting these organisations into a sustainable financial position. As outlined in our evidence paper, we will target some of the additional funding to providing support for Betsi Cadwaladr and Hywel Dda University Health Boards. The extent of this support is still to be determined. We will use the NHS Planning Framework to support other organisations develop financially sustainable medium term plans.

3. Financial Position of Local Government

Each local authority is an autonomous and democratically accountable body and is statutorily responsible for managing its own financial affairs. The overall settlement of £4.1 billion is unhypothecated. It is for each authority to determine how it uses this funding in conjunction with the other resources available to it – for example from council tax, grants, and fees and charges – to meet local needs and priorities.

It is vital that every authority ensures it has robust arrangements for informed scrutiny of its spending plans by local elected members and for the ongoing monitoring of performance against these plans. Spending on different services is monitored through the information on the annual revenue account and revenue outturn returns collected by Welsh Government. The expenditure data is published on the Welsh Government's website.

The additional £25 million in the settlement for social care recognises the particular pressures faced by the sector. As you recognise in your letter, it will be for each individual authority to decide how best to spend its share of the additional £25 million taking account

of its own particular circumstances. Consideration of social care outcomes is a matter for the Minister for Social Services and Public Health.

- **Social Care Charging**

The Committee enquired about the annual cost of implementing our Taking Wales Forward commitment to increase to £50,000 the capital limit in charging for residential care. Taking our phased approach to implementation of this, the independent research we commissioned estimated this cost as £19.398 million per annum from 2019-20 at that year's prices.

As to the number who would benefit from our other commitment to introduce a full disregard of War Disablement Pensions in financial assessments for charging for social care, the independent research estimated 134 people in receipt of such pensions would benefit. This number is, however, set to reduce over time as the Ministry of Defence has closed this particular pension to newly injured armed forces personnel.

4. Prioritisation of Spending

- **Intermediate Care Fund (ICF)**

The Welsh Government is in the process of working with regions to develop robust new guidance in relation to the Intermediate Care Fund. Regional partnership boards will be expected to continue to utilise ICF to deliver effective integrated and preventative care and support services in keeping with the requirements of the Social Services and Well-being (Wales) Act 2014.These Boards are required to respond to the population assessment also required by the Act and prioritise the integration of services in several areas, including in relation to:

- Children and older people with complex needs;
- People with learning disabilities; and
- Carer, including young carers.

The Welsh Government is not prescriptive on the outputs and outcomes expected from ICF. Regions are required to set out their proposals for projects and services based on evidence contained in their population assessment.

We are continuing to engage with regional partnership boards to support their ongoing implementation. This includes in relation to sharing best practice on the utilisation of ICF.

- **Primary Care**

We can confirm Welsh Government provided a £42.6m national primary care fund to support health boards' implement primary care improvements as set out in their IMTPs and £10m was allocated for the 64 primary care clusters to invest in their locally determined service improvements. The fund is also supporting a national programme of pathfinders and pacesetters to test new ways of working and new workforce roles.

The intended outcomes of the national primary care fund are sustainable services, better access and more care closer to home. For example, service sustainability is being achieved through the flexibly deployed primary care support teams and appointing

pharmacists, physiotherapists and social workers to free up GPs' time and expertise. Better access to the right care at the right time is supported by new clinically led triage of calls to GPs and directing these to the right response. More care is being provided closer to home, reducing unnecessary demand on hospital services, by extending community resource teams to 7 days a week and delivering care for people with chronic conditions like diabetes in the community avoiding the need to travel to hospital clinics.

- **Children**

The Improving Outcomes for Children Ministerial Advisory Group, chaired by David Melding, AM, is taking forward a broad programme of work to drive forward improvements across the looked after children, fostering and adoption agendas. Through its work, the group will contribute to reducing the incidences of adverse childhood experiences (ACEs), seek to build resilience within the family, focus on prevention and early intervention and improve outcomes for children in care. This group has a budget of £100k to take forward specific strands of work, although there will be other funding across portfolios which will contribute to achieving the group's activity. The rights of the child are intrinsic to our work programme and new work developed will take account of UNCRC as part of its policy impact assessment process.

- **Sport & physical activity**

We will be happy to provide you with details of the agreed budget allocations for Sport Wales for 2017-18, together with a statement setting out both the outcomes Welsh Government will seek to have delivered for this investment and the timeframe over which these outcomes should be delivered, in due course.

- **Mental Health Services**

It is recognised that all parts of the NHS face financial challenges. We recognise the particular interest in Wales for mental health funding. We have provided specific additional funds last year and this year. The additional £20.5m for mental health services (including £0.5m for eating disorders) is in addition to the funding previously made available for 2015-16 and 2016-17. In 2015-16 the additional funding comprised £7.65m for CAMHS, £5.6m for older adults, £1.9 m for psychological therapies (*£1m of which was made available from the £10m delivery plan funding) and £1.5m for perinatal services. In 2016-17 £6.375m has been made available from the £30m older persons and mental health funding. This included recurring funding of £2.3m for hospital flexible resource teams, £1.5m for local primary care mental health support services, £1.15m for inpatient psychological therapies, £325,000 for transitional support staff and £100, 000 for dementia risk reduction awareness. There was also an additional £1m for extra memory clinic capacity and £329,000 for deprivation of liberty safeguards made available on a non-recurring basis. As referred to earlier this will take the allocation to over £620 million in 2017-18 and it is considered appropriate funding has been allocated.

- **CAMHS**

The almost £8m annual new investment we have made in CAMHS is beginning to show real impact with health boards prioritising funding on improving access whilst new staff and new services are developed.

As a result between August 2015 and September 2016, the total number of children of children and young people reported as waiting for a first outpatient CAMHS appointment has reduced by 27% (3216 to 2355). The new services we are developing for neurodevelopmental conditions, with investment of £2m annually is also ensuring those young people have a route to help and support rather than being referred to CAMHS, where they often did not reach treatment thresholds.

Our investment in Local Primary Mental Health Support Services has also meant that over 5,400 children and young people have been referred for assessment between April 2015 and September 2016

With the establishment of CAMHS Community Treatment Teams across Wales in 2015 fewer young people are being sent out of area or are away for shorter times resulting in a predicted halving of the cost of these expensive placements in 2016-17 compared to 2014-15 [£2.3m from £4.7m]. Young people themselves in the Making Sense report by CAMHS service users [January 2016] stated we cannot emphasise enough that the inappropriate, upward referral of young people towards mental health services is not just inefficient but is also damaging to those young people…. Inappropriate referrals harm both those young people who do not need specialist help and those who do.

Reducing inappropriate referrals is a central principle of the NHS led Together for Children and Young People Programme. It seeks to work with partners across health, education, social services and the third sector to ensure that when a young person does need support they get it from the most appropriate source and in a timely manner.

5. Capital Investment

Investment in NHS infrastructure continues to be a key priority. We will be investing over £1 billion of capital funding over the next four years on NHS buildings, equipment, vehicles and ICT. We described in the last paper to Committee that the forward NHS Capital Programme is based upon NHS organisations' Integrated Medium Term Plans (IMTPs) which described the infrastructure investment requirements to take forward two key delivery strands - service transformation and maintaining, replacing and modernising existing buildings and equipment.

There are a number of key schemes supporting service changes in the coming period including the expansion of obstetrics, paediatrics and neonatal facilities at University Hospital of Wales, Prince Charles Hospital and West Wales General Hospital, and new community hospitals at Cardigan, Tregaron and North Denbighshire. We am keen to accelerate the scale and pace of change in primary and community care settings and how the Welsh NHS can make use of technology and the estate to deliver care closer to home. We am currently considering how this might best be supported. In addition there are significant modernisation programmes that need to progress at the University Hospital of Wales, Prince Charles Hospital, West Wales General and the Wrexham Maelor, as well as continuing investment in the ambulance fleet, imaging and ICT.

Future investments will clearly need to be prioritised and will have to demonstrate real benefits. However, our capital funding will be supplemented by other funding sources. We have already advised that the new £210m Velindre Cancer Centre will be supported through revenue financing using the Welsh Mutual Investment Model and other developments are also being considered, including A Regional Collaboration for Health (ARCH) in West Wales which is examining a number of alternative funding sources and mechanisms.

We would welcome the opportunity to provide further details in a future Committee session.

6. Impact of the EU Referendum

You asked for further reassurance on activities considering the impact of the EU referendum. Work is underway across the Welsh Government to ensure we maximise our influence in discussions within the UK, and in turn in formal EU negotiations, to secure the best possible outcome for Wales. We are working closely with the UK Government and other devolved governments to ensure the interests of Wales are heard and protected.

Committee members will be aware from the Plaid Cymru debate on NHS Overseas Workers on 16th November 2016 that, in our view, EU citizens working and living in Wales now should be able to remain here after the UK's exit from the EU. We value the contribution that citizens of other countries living in Wales make to our economy, our public services and our communities. We are committed to exploring all options to facilitate recruitment and retention of NHS workforce from the EU and beyond after the UK leaves the EU. We do not want to see controls introduced that would harm the Welsh economy or Welsh public services, including the NHS.

Clinical research and innovation are key components of NHS activity. EU Research and Innovation programmes enable our researchers to work collaboratively with counterparts across Europe to address the common challenges facing our health systems. This collaboration has helped the NHS to develop new treatments, adopt innovation more quickly, and improve the quality of healthcare delivered. We are working to ensure that, alongside our universities and other research institutions in Wales, health and care organisations can participate in future EU health, research and innovation programmes.

A single EU regulatory framework enables new health technologies to be made available more quickly for the benefit of patients while ensuring a higher level of patient safety and public health protection. We will seek to avoid regulatory divergence between the UK and the EU to ensure that our patients and public services can continue to benefit from early access to innovative health technologies

It is essential that Wales remains an outward looking and engaged player on the European stage and beyond, regardless of the EU exit.

Yours sincerely

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